

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

COMMUNITY FIRE ASSOCIATION
Stanton, Michigan

FINANCIAL STATEMENTS
April 30, 2006

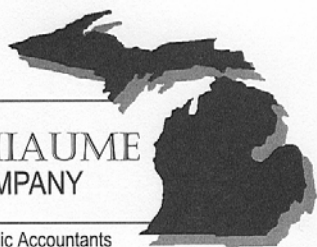
COMMUNITY FIRE ASSOCIATION

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**BERTHIAUME
& COMPANY**

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INDEPENDENT AUDITORS' REPORT

To the Community Fire Association
Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Community Fire Association, as of and for the year ended April 30, 2006, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Community Fire Association management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Community Fire Authority, as of April 30, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

September 12, 2006

BASIC FINANCIAL STATEMENTS

COMMUNITY FIRE ASSOCIATION

GOVERNMENTAL FUND BALANCE SHEET/ STATEMENT OF NET ASSETS

April 30, 2006

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 1)</u></i>	<i><u>Statement of Net Assets</u></i>
Assets:			
Cash and cash equivalents	\$ 14,392	\$ -	\$ 14,392
Capital assets:			
Depreciable capital assets, net	<u>-</u>	<u>437,431</u>	<u>437,431</u>
Total assets	<u>\$ 14,392</u>	<u>437,431</u>	<u>451,823</u>
Liabilities and Fund Balance:			
Liabilities:			
Accounts payable	\$ 19,658	\$ -	\$ 19,658
Accrued expenses	9,335	-	9,335
Deferred revenue	<u>13,500</u>	<u>-</u>	<u>13,500</u>
Total liabilities	<u>42,493</u>	<u>-</u>	<u>42,493</u>
Fund Balance: (Deficit)			
Unreserved	<u>(28,101)</u>	<u>28,101</u>	<u>-</u>
Total fund balance	<u>(28,101)</u>		
Total liabilities and fund balance	<u>\$ 14,392</u>		
Net assets:			
Invested in capital assets		437,431	437,431
Unrestricted		<u>(28,101)</u>	<u>(28,101)</u>
Total net assets		<u>\$ 409,330</u>	<u>\$ 409,330</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY FIRE ASSOCIATION

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2006

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 1)</u></i>	<i><u>Statement of Activities</u></i>
Revenues:			
Contributions from participating units	\$ 142,867	\$ -	\$ 142,867
Charges for services	1,008	-	1,008
Interest	2,723	-	2,723
Other	<u>1,766</u>	<u>-</u>	<u>1,766</u>
Total revenues/program revenues	<u>148,364</u>	<u>-</u>	<u>148,364</u>
Expenditures/Expenses:			
Operations	50,957	11,695	62,652
Capital outlay	<u>207,878</u>	<u>(200,988)</u>	<u>6,890</u>
Total expenditures/expenses	<u>258,835</u>	<u>(189,293)</u>	<u>69,542</u>
Net change in fund balance/net assets	(110,471)	189,293	78,822
Fund balance/net assets, beginning of year	<u>82,370</u>	<u>248,138</u>	<u>330,508</u>
Fund balance (deficit)/net assets, end of year	<u><u>\$ (28,101)</u></u>	<u><u>\$ 437,431</u></u>	<u><u>\$ 409,330</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

COMMUNITY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

April 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY:

The Community Fire Association (the "Association"), was established in 1982 under Public Act 7 of 1967. It is a joint Association created by contractual agreement between the City of Stanton and the Townships of Douglas, Evergreen, and Sidney of Montcalm County.

The Association has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the primary government financial statements only.

The accounting policies of the Community Fire Association conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances. The Association's major funds are reported in separate columns in the aforementioned financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tri-party contributions and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Association considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

COMMUNITY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2006

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The **General Fund** is the principal operating fund of the Association. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity, if any, has been eliminated from the government-wide financial statements.

BUDGETARY INFORMATION:

Comparisons to budget are presented for the General Fund as required by generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Association. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Encumbrance accounting is not utilized by the Association.

DEPOSITS AND INVESTMENTS:

Cash and cash equivalents consist of deposits in checking accounts, other demand accounts, and certificates of deposit with an original maturity date less than 90 days from the original issue date.

State statutes authorize the Association to invest surplus funds in certificates of deposit, savings accounts, and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by an Association.

Investments, if any, are carried at fair value.

CAPITAL ASSETS:

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

COMMUNITY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2006

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles and equipment	25 to 40

NOTE 2: DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Fire Department's deposits may not be returned. The Fire Department does not have a deposit policy for custodial credit risk. At year-end, the Fire Department had \$21,371 of bank deposits, of which \$21,371 was covered by federal depository insurance. At year end, the Fire Department had no investments.

The Association's deposits are in accordance with statutory authority.

NOTE 3: CAPITAL ASSETS

Capital asset activity of the Association's governmental activities for the year was as follows:

	<u>May 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>April 30, 2006</u>
Capital assets				
Equipment	\$ 30,000	\$ -	\$ -	\$ 30,000
Vehicles	328,990	200,988	-	529,978
Total capital assets	358,990	200,988	-	559,978
Accumulated depreciation	(110,852)	(11,695)	-	(122,547)
Capital assets, net	<u>\$ 248,138</u>	<u>\$ 189,293</u>	<u>\$ -</u>	<u>\$ 437,431</u>

COMMUNITY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2006

NOTE 4: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At year end, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Operating contribution	<u>\$ -</u>	<u>\$ 13,500</u>

Only the unearned component of deferred revenue is carried forward to the government-wide statement of net assets.

NOTE 5: RISK MANAGEMENT

The Association is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance to provide for these risks.

There was no change in coverage from the prior year. Settled claims have not exceeded the amounts of insurance coverage in any of the last three years.

NOTE 6: EXCESS EXPENDITURES OVER BUDGET

During the year, the Association incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire Fund:			
Capital Outlay	\$ -	\$ 207,878	\$ 207,878

NOTE 7: FUNDING

The Fire Department is financed each year by the participating municipalities. This funding represents approximately 96% of total revenues for the year ending April 30, 2006. Consequently, the Fire Association's ability to provide services is dependent upon the continuing support of those municipalities.

COMMUNITY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2006

NOTE 8: ACCUMULATED FUND DEFICIT

The Association had an accumulated fund balance deficit at April 30, 2006 of \$20,181.

Public Act 275 of 1980 (MCL 141.921) requires that the Association file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. The Association has not filed the required plan.

NOTE 9: RECONCILIATION OF FUND/GOVERNMENT-WIDE FINANCIAL STATEMENTS

Following in the explanation of differences between the fund (modified accrual) balance sheet and the government-wide statement of net assets.

Total fund balance for governmental fund	\$ (28,101)
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Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	559,978	
Less accumulated depreciation	<u>(122,547)</u>	<u>437,431</u>

Net assets of governmental activities	<u>\$ 409,330</u>
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Following is the explanation of differences between the fund (modified accrual) statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

Net change in fund balance - total governmental fund	\$ (110,471)
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Total change in net assets reported for governmental activities in the statement of
activities is different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is depreciated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	200,988	
Less depreciation expense	<u>(11,695)</u>	<u>189,293</u>

Change in net assets of governmental activities	<u>\$ 78,822</u>
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REQUIRED SUPPLEMENTAL INFORMATION

COMMUNITY FIRE ASSOCIATION

OPERATING FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended April 30, 2006

	<i><u>Budgeted Amounts</u></i>		<i><u>Actual</u></i>	<i><u>Actual Over (Under) Final Budget</u></i>
	<i><u>Original</u></i>	<i><u>Final</u></i>		
Revenues:				
Contributions from participating units	\$ 53,400	\$ 53,400	\$ 142,867	\$ 89,467
Charges for services	-	-	1,008	1,008
Interest	-	-	2,723	2,723
Other	-	-	1,766	1,766
Total revenues	<u>53,400</u>	<u>53,400</u>	<u>148,364</u>	<u>94,964</u>
Expenditures:				
Current				
Public safety	54,400	54,400	50,957	(3,443)
Capital outlay	<u>-</u>	<u>-</u>	<u>207,878</u>	<u>207,878</u>
Total expenditures	<u>54,400</u>	<u>54,400</u>	<u>258,835</u>	<u>204,435</u>
Net change in fund balance	(1,000)	(1,000)	(110,471)	(109,471)
Fund balance, beginning of year	<u>82,370</u>	<u>82,370</u>	<u>82,370</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 81,370</u></u>	<u><u>\$ 81,370</u></u>	<u><u>\$ (28,101)</u></u>	<u><u>\$ (109,471)</u></u>

OTHER SUPPLEMENTAL INFORMATION

COMMUNITY FIRE ASSOCIATION

OPERATING FUND

DETAILED SCHEDULE OF REVENUES

Year Ended April 30, 2006

Contributions from participating units:

Operations	\$ 53,400
Capital purchases	<u>89,467</u>
	<u>142,867</u>

Charges for services:

On call charge	1,000
Fire reports	<u>8</u>
	<u>1,008</u>

Interest:

Interest	<u>2,723</u>
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Other:

Contributions	830
Refunds and rebates	<u>936</u>
	<u>1,766</u>

Total revenues	<u><u>\$ 148,364</u></u>
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COMMUNITY FIRE ASSOCIATION

OPERATING FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended April 30, 2006

Public Safety:

Fire:

Personnel	\$ 18,377
Fringe benefits	2,436
Supplies	384
Truck expenses	3,022
Contracted services	2,000
Education, conferences and training	1,894
Insurance	9,226
Utilities	4,106
Repairs and maintenance	<u>9,512</u>
	<u>50,957</u>

Capital Outlay:

Public safety	<u>207,878</u>
Total expenditures	<u>\$ 258,835</u>



September 12, 2006

To The Community Fire Association Board
Stanton, MI

We have audited the financial statements of the Community Fire Association for the year ended April 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the Community Fire Association in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Community Fire Association are described in Note 1 to the financial statements. We noted no transactions entered into by the Community Fire Association during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Association's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated September 12, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants